

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

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H-01 L-03 PA-01 PRS-01 /103 W

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 4499

INFO AMEMBASSY BELGRADE

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USMISSION BERLIN UNN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMCONSUL LENINGRAD

USMISSION NATO

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USDOC WASHDC

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TAGS: ECON, EGEN, UR

SUBJECT: 1977 PLAN AND PERFORMANCE

REF: (A) 76 MOSCOW 17056, (B) 76 MOSCOW 16671

SUMMARY: SPECIFIC INDUSTRIAL TARGETS FOR 1977 ARE NOW BEING  
PUBLISHED PIECEMEAL. INDUSTRIAL OUTPUT IN JANUARY REPORTEDLY  
INCREASED 4.7 PERCENT, SOMEWHAT BELOW THE FORECASTED RATE  
OF GROWTH FOR 1977 AS A WHOLE. PROBLEMS WITH THE RAILROADS  
AND IN FUEL CONVERSION CONTINUE TO RECEIVE HIGH-LEVEL

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ATTENTION. END SUMMARY.

1. DETAILED 1977 INDUSTRIAL TARGETS ARE NOW APPEARING  
PIECEMEAL IN THE CENTRAL PRESS FOLLOWING PRESENTATION LAST  
OCTOBER BY GOSPLAN CHAIRMAN BAYBAKOV OF THE OVERALL GROWTH  
TARGETS, REFTEL A. THE JANUARY 1977 ISSUE OF PLANOV  
KHOZYAYSTVO AND ISSUES 3,4,6,7 AND 8 OF EKONOMICHESKAYA

GAZETA HAVE PROVIDED SOME SPECIFIC INFORMATION, PARTICULARLY IN THE FUEL SECTOR. FOLLOWING ARE THE PUBLISHED 1977 TARGETS WITH 1976 PRODUCTION LEVELS CONTAINED IN PARENTHESES:

ELECTRIC POWER 1,160 BILLION KILOWATT HOURS (1,111)

OIL 550 MILLION TONS (519.7)

NATURAL GAS 342 BILLION CUBIC METERS (321)

COAL 733 MILLION TONS (712)

MINERAL FERTILIZER 98.5 MILLION TONS (92.3)

PLASTIC AND SYNTHETIC RESINS NEARLY 3.45 MILLION TONS (3.1)

SYNTHETIC FIBERS AND FABRICS 1.1 MILLION TONS (1.02)

STEEL PIPE 17.6 MILLION TONS (16.8)

2. MACHINE BUILDING IS TO INCREASE BY 8.3 PERCENT, WHICH WOULD BE SOMEWHAT BELOW THE APPROXIMATELY 9 PERCENT AVERAGE ANNUAL INCREASE SET IN THE TENTH FIVE-YEAR PLAN (1976-80). ONE POINT OF INTEREST IS A DIVERGENCE OF PUBLISHED TARGETS FOR THE STEEL INDUSTRY. ACCORDING TO PLANOVOE KHOZYAYSTVO, 1977 STEEL OUTPUT IS SET AT 152.3 MILLION TONS AND FINISHED ROLLED STEEL PRODUCTS AT 106.5 MILLION TONS. EKONOMICHESKAYA GAZETA, NUMBER 7, WHICH APPEARED LATER, LISTED THE TARGETS AS 151.1 MILLION TONS AND 105.4 MILLION TONS RESPECTIVELY. STEEL OUTPUT IN 1976 (145 LIMITED OFFICIAL USE

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MILLION TONS) FELL BELOW TARGET BY 2 MILLION TONS.

3. THE FIRST 1977 (JANUARY) RESULTS WERE PUBLISHED ON FEBRUARY 15 IN TRUD. THE OVERALL LEVEL OF INDUSTRIAL OUTPUT INCREASED OVER JANUARY 1976 BY 4.7 PERCENT (1977 TARGET IS 5.6 PERCENT). STRENGTH AREAS INCLUDED FUELS AND ELECTRIC POWER, CHEMICALS AND PETRICHEMICALS, INSTRUMENTS AND MACHINE TOOLS, MACHINE BUILDING FOR LIGHT AND FOOD INDUSTRY, AND PRODUCTION OF CONSUMER DURABLE GOODS. PROBLEM AREAS MENTIONED INCLUDED: ORGANIZATION OF LABOR AND PRODUCTION, DELAYS IN INTRODUCING AND MASTERING NEW PRODUCTION CAPACITY, PROBLEMS IN SUPPLYING SOME ENTERPRISES WITH FUEL AND RAW MATERIALS, AND DELAYS IN PROVISION OF RAIL CARS TO TRANSPORT FINISHED PRODUCTS.

4. CONTINUING PROBLEMS WITH THE RAILROADS, REFTEL B, WERE REFLECTED IN THE PUBLICATION OF A CENTRAL COMMITTEE - COUNCIL OF MINISTERS DECREE ON FEBRUARY 13, WHICH ALSO POINTED OUT THAT FINISHED PRODUCTS WERE ACCUMULATING AT PLANTS DUE TO RAIL CAR SHORTAGES AND POOR USAGE OF EXISTING ROLLING STOCK

AND THAT REQUISITE SUPPLIES OF FUELS AND RAW MATERIALS WERE NOT BEING DELIVERED ON SCHEDULE. IN ADDITION TO TASKING SOLUTIONS TO THESE PROBLEMS, THE DECREE SENT ENHANCED TARGETS TO BRING NEW RAIL LINES INTO OPERATION, TO BUILD SECONDARY TRACKS, TO INCREASE THE SUPPLY TO ROLLING STOCK AND RAILS AND TO INSTALL AUTOMATIC BLOCKING AND CENTRALIZED DISPATCHING SYSTEMS ON RAILWAYS.

5. FINALLY, PRAVDA ON FEBRUARY 14 PUBLISHED ANOTHER EDITORIAL CALLING FOR HEIGHTENED FUEL AND POWER CONSERVATION MEASURES, POINTING TO SEVERAL INSTANCES OF PRESENT INDUSTRIAL AND CONSUMER FUEL WASTAGE. WHILE NO "ENERGY CRISIS" IN TERMS OF SUPPLY OF HEAT AND LIGHT WAS INDICATED, THE EDITORIAL CALLED FOR STRICT ECONOMY IN SETTING NORMS FOR USAGE, INTRODUCTION OF THE NEWEST HEATING AND GENERATING EQUIPMENT AND BETTER USE OF SECONDARY FUEL SUPPLIES.

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6. COMMENT: THE INFORMATION THUS FAR PUBLISHED ON THE 1977 PLAN IS NOTICEABLY LESS DETAILED THAN THAT PROVIDED ABOUT THE ANNUAL PLANS IN THE PAST FEW YEARS. THE FUEL TARGETS, WITH THE EXCEPTION OF COAL, SEEM RELATIVELY MODEST IN COMPARISON WITH 1976 INCREMENTS AND THE PACE OF GROWTH WILL HAVE TO PICK UP AGAIN AS PLANNED IN 1978-80, ESPECIALLY IN NATURAL GAS AND ELECTRIC POWER, IF 1980 TARGETS ARE TO BE MET. THE TARGET FOR MINERAL FERTILIZER SEEMS AMBITIOUS GIVEN THE FAILURE LAST YEAR TO REACH THE OUTPUT TARGET OF 94.5 MILLION TONS.

7. WHILE THE JANUARY FIGURES CLEARLY ARE TOO LIMITED FOR ANY CONCLUSIONS, WE DO NOTE THAT THE LEVEL OF INDUSTRIAL OUTPUT IS ALMOST ONE PERCENT BELOW TARGET FOR THE YEAR. AND, AS WE HAVE PREVIOUSLY REPORTED, CONCERN ABOUT THE PERFORMANCE OF THE RAILROADS AND THE NEED FOR STRICT FUEL ECONOMY IS INCREASING. WE ARE PARTICULARLY INTERESTED IN THE RAILROAD PROBLEMS, ESPECIALLY AS THEY RELATE TO FUEL SUPPLY CONCERNS, AND WE WILL TRY TO CALL SOON AS THE MINISTRY OF THE RAILROADS FOR FURTHER INFORMATION.

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